



Professional Realty News



Consumer-Oriented Information & Advice to Save Time and Money

• Mortgage • Real Estate • Personal Credit & Finance • Home Improvement

From My Home To Yours

Real Estate: (610)783-1102

Website: www.prc-pa.net

Lic. by PA Real Estate Commission

Lic. #RS290124

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Mortgage: (610)436-0689

Website: www.pmc-pa.com

Lic. by PA Dep't of Banking

NMLS ID#135687

HAPPY NEW YEAR !

I hope this newsletter finds you healthy, happy, successful, and warm! Personally, I'm sick of the cold, ice, & snow ... especially if you've ever seen the length of my driveway. I can't wait for Spring and to get busy in my flower and vegetable gardens!

2013 was a good year for me – both professionally and personally. While ~ 80% of PA Mortgage Brokers have given up their licenses between 2009 and 2013, I have survived and thrived – thanks to you & your referrals. Once again, 100% of my business was from previous customers or referred by previous customers.

I've been engrossed in compiling my 2013 financial information that the tax man, regulators, and my lenders demand. Also, I've been inundated trying to figure out the new mortgage rules which went into effect January 10th (more on that, next newsletter).

I hope you enjoy and profit from my Winter newsletter. I try to relay articles and news blurbs that come my way which I find topical and helpful – as my header says, "Consumer-Oriented Information & Advice to Save Time and Money."

I also hope you enjoy the 2014 Magnet Calendar (Kitchen Equivalency Chart on back) and the "Forget-Me-Not" seeds I enclose – they're easy, just sprinkle in the dirt and enjoy this Spring!

As always, feel free to call me with any questions. As always, there is never a charge nor obligation.

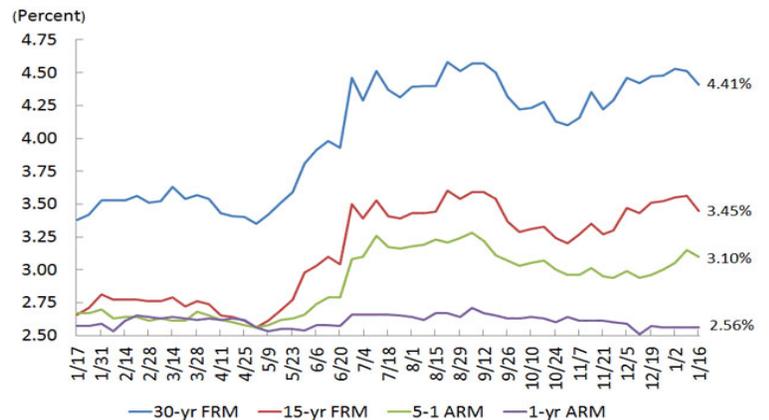
Take Care and Enjoy the Spring!

Thank You & Best Regards, Lawrence

Believe in yourself! Have faith in your abilities!
Without a humble but reasonable confidence in your own powers you cannot be successful or happy.

- Norman Vincent Peale

2013 MORTGAGE RATES



Source: Freddie Mac

As of January 16, 2014

YOUR CREDIT REPORT

- Stay Vigilant & Reminder to Check

A recent study from the Federal Trade Commission revealed some disturbing statistics. 20% of all U.S. consumers had errors reported by at least 1 credit bureau which could result in loan credit denial or higher interest rate offers. Of those consumers who disputed erroneous notations

- 80% reported some modification was made
- 25% reported the error was corrected
- 10% reported a credit score change
- 5% reported a credit score change > 25 points

I highly recommend that you take advantage of the credit law which enables you to access your credit report FREE from all 3 bureaus (check them all), once per year.

<http://www.annualcreditreport.com>

The Consumer Financial Protection Bureau (CFPB) is the new comprehensive regulator for the credit reporting industry. If you have a complaint about the credit bureaus themselves, go to

<https://help.consumerfinance.gov/app/creditreporting/ask>

CREDIT BUREAUS **- Interesting History & Factoids**

The CFPB recently published a report on the infrastructure & processes currently used by the National Credit Reporting Agencies (NCRAs) to collect, compile, and report information about consumers.

Credit bureaus originated in the late 1800s and were originally just lists of individuals who had failed to repay their debts. The industry grew, with growth spurts in the 1920s and 1950s. By the early 1970s, there were over 2,250 companies operating largely on a local or regional basis. Eventually, automation spurred consolidation into the "Big 3" (TransUnion, Equifax, and Experian) that we have today. Nonetheless, there are still hundreds of smaller bureaus specializing in medical information, employment histories, etc. All told, NCRAs generated about \$4 billion in revenue in 2011, including revenues from ancillary services like the sale of lists for marketing purposes [See article about "Trigger Leads" to prevent this], the sale of monitoring services, and the sale of analytical services to creditors, like credit scoring.

The Big 3 each have more than 200 million files on consumers. In a typical month, they receive updates on about 1.3 billion "trade lines," individual pieces of data on consumer loans, from approximately 10,000 information "Furnishers."

Furnishers of credit report information:

- 40% from general credit card companies
- 18% from "store" cards
- 13% from collection companies
- 7% from education lenders & sales finance providers
- 7% from mortgage lenders
- 4% from auto lenders

Concentration of Furnishers:

- only 10, provide 57% of the trade lines
- top 50, provide 72% of the trade lines

– The average individual credit file contains 13 past (usually 7 years) and current credit obligations, including 9 bank and retail cards and 4 installment loans.

– 15.9 million people obtained their reports FREE

– 26 million obtained their reports through a paid monitoring service.

– 20% of all consumers see their reports each year

As always, feel free to call me for advice about any credit-related question. - Laurence

NATIONAL ASSOC OF REALTORS® – 2013 **PROFILE OF HOME BUYERS &SELLERS**

Characteristics of Home Buyers

- 38% were first-time buyers (50% in '10, 39% in '12)
- 66% were married couples (highest since '01), 16% single women, 9% single men, 7% unmarried couples
- 88% of buyers purchased their home through a real estate agent, 7% bought directly from a builder, & 5% bought directly from an owner
- \$83,300 - Median household income of all buyers (\$67,400 among first-time buyers and \$96,000 among repeat buyers)

Characteristics of Homes Purchased

- New home purchases were only 16% of all recent home purchases.
- The typical home purchased was 1,900 sq. feet, built in 1992, and had 3 bedrooms and 2 baths.
- 80% of home buyers purchased a detached single family home.

The Home Search Process

- 43% of buyers, the first step in the home shopping process, was looking online for properties.
- 92% of buyers used the internet to search for homes.
- Real estate agents were viewed as a very useful information source by 87% of buyers who used an agent while searching for a home.
- The typical home buyer searched for 12 weeks and viewed 10 homes.

Financing the Home Purchase

- 88% of buyers financed the purchase; of those, the median down payment was 10%.
- Regarding the mortgage application & approval process, 24% reported it was somewhat more difficult than expected, 16% reported it was much more difficult.

Characteristics of Home Sellers

- Typical seller lived in home 9 years (6 yrs in 2007).
- 88% were assisted by a real estate agent.
- 47% reduced asking price at least once and 36% offered incentives such as paying buyer closing costs and/or providing home warranty protection.
- 49% traded up to a larger size, higher-priced home and 59% purchased a newer home.

[The full report can be found @ www.prc-pa.net
- click on the "Helpful Links" button.]

WARNING
- Unnecessary Deed Solicitation

The Pennsylvania Association of Realtors® recently reported a disturbing trend regarding questionable solicitations.

Some homeowners have reported receiving letters from companies suggesting they obtain copies of their deeds ... of course for a fee ~ \$80.

This is unnecessary and I suggest you do NOT pay for this. First of all, you should already have your deed – either a stamped/recorded copy or the original. Regardless, your deed is indeed recorded in the courthouse. And even in the extremely unlikely situation that it is not, you have title insurance to protect you.

So, regardless of the scenario, you do NOT need to purchase a copy of your deed.

OPEN SPACE PAYS OFF

According to a recent study by Colorado State University, which assessed more than 200 developments across the state from 1998 through 2011, higher sales prices were paid for conservation development projects versus conventional rural residential projects.



MOVIN' ON

According to figures released from the US Census Bureau, 35.9 million residents (11.7% of Americans) moved in 2013. The Northeast had the lowest mover rate among regions – 7.8%.

Reasons for Relocation: 48% due to housing-related (better home or apartment, or establishment of own household), 30% due to family, 20% due to employment.

Scope of Relocation: 66% stayed within same county, 40% less than 50 miles, 25% long-distance.

CONVENTIONAL VS. FHA
– Which is the Better Mortgage Deal?

Conventional mortgages are loosely defined as any mortgage, below \$417,000, that is not insured by the government. While there are many different private-sector origination channels for conventional mortgages, they mostly, ultimately, get purchased by Fannie Mae and Freddie Mac.

FHA (Federal Housing Administration) mortgages are originated by fewer lenders but are insured by the government.

FHA offers some advantages over Conventional: a minimum down payment of 3.5% versus 5.0% and lower credit score standards. (“Fair” to “good” will probably be good enough.) The interest rate between the two categories tends to be about the same.

Due to shortages in the Mutual Mortgage Insurance Fund in recent years, the FHA implemented severe changes in 2013 to the MIP (mortgage insurance premium) for borrowers.

The upfront MIP for borrowers putting 3.5% - 5.0% down is 1.75% of the loan amount. For Conventional, the upfront is 0. The monthly amount for FHA loans is 1.20% divided by 12; it's 0.62% for Conventional loans (credit score 720 - 759), cheaper still if the evaluated credit score is higher.

Furthermore, for FHA loans, the monthly mortgage insurance will remain for the duration of the loan. For Conventional, it is removed once the amortized balance is reduced to 78% of the original sales price, or sooner if certain conditions are met.

Example: \$225,000 Sales Price

Conventional – \$213,750 mortgage (95.0%)

P&I (4.50%) = \$1,083.04 + MI (0.62%) = \$110.44

Total = \$1,193.48/mo.

FHA – \$223,215 mortgage (97.5% + upfront MIP)

[this is doubly insidious because, not only is there the 1.75% charge, it is added into the loan, thus you're paying interest on top of the fee]

P&I (4.50%) = \$1,131.00 + MIP (1.2%) = \$219.38

Total = \$1,350.38/mo.

Payment difference = \$156.90/mo.

Conclusion: Conventional mortgages are a better deal for very good to excellent credit customers and for customers who can put the extra 1.5% down.

You're Not Done Yet

by Edward L. Ostrom, Jr., CLU

I hope you have a Will, a Durable Power of Attorney, a Living Will, a Medical Power of Attorney and, optionally, a Living Trust. If you don't, please make it a priority to acquire them. Life and health are just too fleeting qualities. But what if the original documents can't be found when they're needed? All your best intentions are for naught!

For Your Will and Living Trust: For many years, attorneys in Pennsylvania told you not to put such documents in your safe deposit box. The laws have now changed, so now, that's exactly where your original Will and Living Trust should be.

But when you die, will anyone know where these documents and safe deposit key are located? Be sure to write down the location of the originals and the key on the inside cover of your copy, and keep your copy in a location designees know about.

Living Will and Medical Power of Attorney:

There should not be one, but an abundant number of originals. Give an original to your general medical practitioner, your spouse, and to others you choose to have it.

Durable Power of Attorney: There should be multiple originals of this document as well. If you've just named one individual as the holder of the power, be sure that party has an original. If you choose the "committee" approach, as I've long advocated, then each member of the Committee ought to have an original of this document. Of course, you retain one original for yourself.

If and when the day comes when that power needs to be activated, you may not be capable (mental impairment) to tell anyone where your document is located. Be sure to tell your designee(s) where the original(s) are located and write it down.

There is one disadvantage to all these notifications. What if you revise any of the documents? That means supplying the updated versions to these same people. Are you going to remember who got which document? There's yet another note that should be tucked into your copy of your Will.

Upon your death, your survivor(s) face(s) multiple questions: burial or cremation, music at the service or no music? If music, what pieces should be played? Who should receive what possessions? Where to be buried? Etc.

Consider this. Write your loved ones a letter and answer all these questions. Try to be comprehensive in your wishes. Include the name and location of your attorney, your banks, your insurance agent, your general medical practitioner, your financial advisor, and so on. The more you tell, the less your loved ones have to guess or research. Tuck the letter inside the Will that is housed in your safe deposit box.

Doing all this stuff is time consuming, but think of it from the standpoint of your survivors. Dying or being disabled is difficult enough on your loved ones. Doing these things eases that burden.

One more thing. Do other members of your family, your friends, your neighbors, and possibly your church friends have their own set of estate documents? Are they aware of the changes in the law that allow Wills and Trusts to be stored in safe deposit boxes and the advisability of making many originals of the Durable Power of Attorney, Medical Power of Attorney, and their Living Will?

Do them a favor and tell them.

About the author, Ed Ostrom has advanced education in estate planning and tax preparation, is a financial planner, and operates an investment management business called Ostrom and Associates. You can contact him at 610 783-6610.

The great business of life is to be, to do, to do without and to depart. - John Morley

2013 CURRENT POPULATION SURVEY

In a joint publication from the Bureau of Labor Statistics and the Census Bureau, American households were comprised as follows:

- 66% were family households (81% in 1970)
- 27% were one-person households (17% in 1970)

The median age at first marriage was 29 for men and 27 for women, up from 23 and 21 respectfully in 1970.



LIGHT BULB MANDATE

– New Rule, January 1, 2014 –



In 2007, Congress passed the Energy Independence and Security Act (EISA) requiring new energy efficiency standards for basic light bulbs. From 2012 to 2014, all standard 100, 75, 60, and 40 watt incandescent bulbs are to be phased out and effective January 1, 2014, production of the 60 and 40 watt bulbs ended. EISA established a time-frame requiring all screw-in light bulbs to use 25% less power by 2014 and 65% less by 2020.

According to the Department of Energy, 12% of a home’s power bill goes toward lighting.

So, as you gradually replace/upgrade your bulbs, here is some information regarding your options.

• Halogen bulbs: The cheapest of all of the non-incandescent bulbs, lasting about 1,000 hours, use about 66% of the energy of incandescents.

• Compact Fluorescent (CFL) bulbs: Probably the best “value,” lasting about 10,000 hours, use about 25% of the energy of incandescents.

There are two possible detractions however. The light emits a blueish hue, making it appear “cooler.” Also, these bulbs must be disposed at a recycling facility since they contain trace amounts of mercury.

• LED bulbs: The most expensive option, lasting about 25,000 hours, use about 17% of the energy of incandescents.

CONSUMER COMPLAINT DATABASE

In 2013, the Consumer Financial Protection Bureau (CFPB) rolled out a massive searchable (by state) data base of consumer complaints about products and services from companies engaged in mortgages (origination & servicing), bank accounts and services, student loans, money transfers and credit reporting. You can submit and/or review complaints!

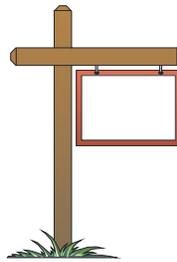
The data is interactive and can be downloaded so you can build your own charts/graphs, embed in websites, or share through social media. A smart phone app. should be available in 2014.

<http://www.consumerfinance.gov/complaintdatabase>

2013 HOME FEATURE PREFERENCES

According the annual survey conducted by the National Association of Realtors®, home buyers expressed the following:

- 80% purchased a home with a garage
- Hardwood floors were among the top amenities sought after by Northeastern buyers.
- Central A/C was the most important at 65%, walk-in closet in the master bedroom next at 39%.
- 69% of buyers who did not purchase a home with central A/C would have been willing to pay \$2,250 more for a home with this feature.
- The rooms that buyers were willing to pay the most for were basement, in-law suite, and laundry room.



VISIT MY WEB SITE



- FOR NEWS YOU CAN USE -

In my PRC website, www.prc-pa.net, you will find some very helpful and timely information.

Under “Market Outlook”

- Market Conditions, written by local real estate agents about their local markets in PA
- Home Price Analysis for Philadelphia region
- Real Estate Agent Survey for Philadelphia region
- Median Sales Price Statistics & Trends
- Local MLS 4th Qtr, 2013 “Economic & Market Watch Report” - data delineated by zip code
- Local MLS “Market Snapshot” report -- 12/2013

Under “Helpful Links”

- Township re-sale code requirements & tax info
- Community Reports (just type in zip code)
- Public & Private school rankings & info
- Home, well, termite, radon, and septic testing info
- 2013 Remodeling Cost vs. Benefit Report
- 2013 National Profile of Home Buyers & Sellers

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**THANKING YOU FOR YOUR
SUPPORT & TRUST FOR 23 YEARS !**



TRIGGER LEADS:

Don't Be Exploited by the Credit Bureaus

While it's an illegal breach of privacy for real estate agents or mortgage originators to sell you credit information, it is perfectly legal for credit companies to do so. For a price ranging anywhere from \$25 to \$100, your name and certain specifics about your credit report including your address, phone number, mortgage history, and even your FICO score range are sold by the credit bureaus to mortgage companies. Some of you may have noted the onslaught of unsolicited phone calls and junk mail as soon as you applied for a loan.

Unfortunately, there is no legislation preventing the bureaus from selling your information as a "trigger lead," unless you OPT OUT.

www.optoutprescreen.com

Not only will you save yourself the hassle of these solicitations, but you will improve your credit score.

Also, if you do receive uninvited phone call solicitations, ask them to place your name and number on their internal Do Not Call list, which every creditor is required to maintain.